

CITY OF SELMA, ALABAMA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF SELMA, ALABAMA
SEPTEMBER 30, 2011

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Independent Auditors' Report

Honorable Mayor and Members of
The City Council
City of Selma, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma, Alabama (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 44, is not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Warren Averett, LLC

Montgomery, Alabama
June 11, 2012

CITY OF SELMA

222 Broad Street • P. O. Box 450
Selma, AL 36702-0450

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

The Management's Discussion and Analysis (MD&A) offers readers of the City of Selma's (the "City") financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2011. It is our intent that these comments provide all parties interested in the City's financial condition a better understanding of the City's operations and financial position.

The City reports its annual financial statements in a format required by the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- As of September 30, 2011, the City's net assets (assets minus liabilities) totaled \$36,141,981, a decrease of \$220,709 from the September 30, 2010 figure.
- Total net assets for governmental activities are comprised of the following:
 - (1) Capital assets net of related debt of \$28,590,806, include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$6,448,021 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net assets of \$694,481 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities decreased by \$235,584, thus bringing the total to \$35,732,308 for fiscal year 2011.
- Total net assets for business-type activities increased by \$13,875, thus bringing the total to \$408,673 for fiscal year 2011.
- Fund balances (a measure of current financial resources) in governmental funds decreased by \$4,798,537 to a total of \$13,239,595. Of this amount \$1,015,255 is nonspendable and is not appropriable for expenditures or is legally segregated for a specific future use. The largest portion of the governmental fund balance is in the amount of \$9,265,262 which is restricted for capital projects, debt service and community development. There is also a committed amount of \$290,876 for economic development and an assigned amount of \$5,856 for miscellaneous projects. The combined totals for nonspendable, restricted and assigned, less the unassigned amount of \$2,662,346 yields a total combined ending fund balance of \$13,239,595 for fiscal year 2011.

- The general fund unassigned fund balance, as of September 30, 2011, was \$2,799,783, or 17.4% of total general fund expenditures.
- The City's total bond and capital lease debt increased by \$9,507,367 (52.7%) during the current fiscal year. The primary cause for this increase is the City issued the 2011 Taxable Pension Obligation Warrants in the amount of \$11,165,000. The proceeds of the warrants were used to prepay the City's unfunded Employee's Retirement System of Alabama (ERS) accrued actuarial liability in the amount of \$10,301,068.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities. Government-wide statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported by user fees and charges. Governmental activities include administrative functions, streets, garbage, public safety, public works, recreation, community development, and the cemetery funds. The sole business-type activity of the City is the Inert Landfill.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Again, this year we have added prior year information to analyze how the City's financial position has changed.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, requiring that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the

funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the year and is a narrower focus than the government-wide financial statements.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. A budgetary comparison statement is provided for the general fund to demonstrate compliance with the budget. Budgetary variances for the general fund are discussed in some detail later in this section.

Proprietary Funds – The City maintains only one proprietary fund type, an Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Enterprise Fund for the City is the Inert Landfill. Enterprise funds are used to report business-type activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City collects various taxes that are remitted to the Selma Board of Education which include ad valorem, sales and use taxes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets provides an overview of the City's assets, liabilities and net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The City's net assets totaled \$36,141,981 as of September 30, 2011. The following table reflects the condensed Government-Wide Statement of Net Assets:

Statement of Net Assets As of September 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets (net of internal balances)	\$ 25,424	\$ 20,349	\$ 85	\$ 41	\$ 25,509	\$ 20,390
Internal balances	246	214	(246)	(214)	-	-
Capital assets	40,201	35,945	793	873	40,994	36,818
Total Assets	65,871	56,508	632	700	66,503	57,208
Current and other liabilities	3,914	4,220	111	98	4,025	4,318
Long-term liabilities	26,224	16,320	112	207	26,336	16,527
Total Liabilities	30,138	20,540	223	305	30,361	20,845
Net assets:						
Invested in capital assets, net of related debt	28,591	27,063	586	572	29,177	27,635
Restricted	6,448	7,105	-	-	6,448	7,105
Unrestricted	694	1,800	(177)	(177)	517	1,623
Total Net Assets	\$ 35,733	\$ 35,968	\$ 409	\$ 395	\$ 36,142	\$ 36,363

The City's total assets were \$66,501,831 as of September 30, 2011. Of this amount, \$40,993,655 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$4,711,183 is accounted for in cash and cash equivalents, \$1,557,908 in accounts receivable, \$915,000 in notes receivable, \$4,382,380 in restricted cash and cash equivalents, \$3,154,543 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2011, the City had outstanding liabilities of \$30,359,850, of which \$26,336,799 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$2,009,658 was due within one year, with the remainder due at various dates before 2039.

Included in other liabilities in the above table are \$1,450,980 in accounts payable and other current liabilities and \$254,468 in accrued interest payable.

The largest portion of the City's net assets reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, investments in capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represents \$6,448,021 or 17.8% of total net assets. The remaining \$517,230 or 1.4% of total net assets may be used to meet the City's ongoing obligations to its citizens and creditors for all activities.

The second statement in the government-wide statements is the *Statement of Activities*. The following table outlines the major components of this statement:

Changes in Net Assets As of September 30 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		
	2011	2010	2011	2010	2011	2010	
Revenues							
Program revenues							
Charges for services	\$ 4,030	\$ 3,926	\$ 98	\$ 114	\$ 4,128	\$ 4,040	
Operating grants and contributions	538	890	-	-	538	890	
Capital grants and contributions	1,141	1,613	-	-	1,141	1,613	
General revenues							
Property taxes	2,434	2,369	-	-	2,434	2,369	
Sales and use taxes	10,143	10,116	-	-	10,143	10,116	
Lodging taxes	320	334	-	-	320	334	
Other taxes	1,262	1,303	-	-	1,262	1,303	
Investment earnings	28	52	-	-	28	52	
Other	592	359	-	-	592	359	
Total revenues	20,488	20,962	98	114	20,586	21,076	
Expenses							
General government	6,916	6,786	-	-	6,916	6,786	
Public safety	8,183	7,851	-	-	8,183	7,851	
Public service	2,507	2,971	-	-	2,507	2,971	
Other	2,120	1,665	-	-	2,120	1,665	
Interest on long-term debt	847	653	-	-	847	653	
Inert landfill	-	-	234	452	234	452	
Total expenses	20,573	19,926	234	452	20,807	20,378	
Increase (decrease) in net assets before transfers	(85)	1,036	(136)	(338)	(221)	698	
Transfers in (out)	(150)	(111)	150	111	-	-	
Increase (decrease) in net assets	(235)	925	14	(227)	(221)	698	
Net assets - beginning	35,968	35,043	395	622	36,363	35,665	
Net assets - ending	\$ 35,733	\$ 35,968	\$ 409	\$ 395	\$ 36,142	\$ 36,363	

Total revenues for the City were \$20,585,171 for the year ended September 30, 2011. Governmental activities provided \$20,487,492 or 99.5%, while \$97,744 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$10,142,591, or 49.5% of total revenue, from sales taxes and \$2,712,258, or 13.2% of total revenue, from business licenses and permits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances decreased by \$4,798,537 in the current year. The 2009 Capital Project Bond Fund decreased by \$4,660,679 while the remaining governmental funds balance decreased by \$137,858. The Other Governmental Fund column consists of 20 plus funds combined for this report because their revenues and expenses are smaller than other funds of the City.

Proprietary Fund

The fund statements for the proprietary fund look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

General Fund Budgetary Highlights

Total general fund revenues were \$16,749,968 which was an increase of \$187,968 over final budgeted revenues. The primary cause of this is as follows:

- The total receipts for business license revenue were \$240,761 over the anticipated revenue.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2011, was \$40,993,655 (net of accumulated depreciation). Capital asset investments include land, construction in progress, buildings, building improvements, infrastructure, machinery and equipment, net of depreciation. New additions to capital assets included the following:

- Memorial Stadium and Block Park were renovated.
- The Police Department purchased cameras and video surveillance systems with mobile messaging capabilities to be used in patrol cars.
- The Fire Department purchased two new vehicles.
- The City purchased a new garbage truck.
- The City continued work on various sanitation sewer improvement projects.
- The City continued work on various capital improvement projects to City owned buildings.

At the end of the fiscal year the City had secured and bonded debt outstanding of \$27,543,748. Of this amount \$27,216,466 comprises debt backed by the full faith and credit of the City and \$238,748 in long-term leases. The City's total bond and capital lease debt increased by \$9,507,367 (52.7%) during the current fiscal year. The primary cause for this increase was the issuance of the 2011 Taxable Pension Obligation Warrants.

THE OUTLOOK FOR NEXT YEAR

The historic City of Selma is continuing to see improvements to its downtown area. Citizens are beginning to feel a renaissance in the character and aesthetic beauty of our unique downtown. The City has been fortunate to receive enough grant funds to continue the progress on Water Avenue and its Riverfront Development. More activities have been planned to bring citizens from other towns to Selma. Many of these activities will require overnight stay which in turn will generate additional revenue.

The City's 2010 Census count was 20,756. The City is seeing more of an increase in its retirement population, investments of local businesses, expansion of industry and increased local college/university enrollment. Even though the City continues to suffer one of the highest unemployment rates in the state, it has experienced moderate increases in its revenue stream. Although other tax areas have experienced a loss in the past several years lodging tax revenue has continued to increase. During the economic downturn, the City has been able to maintain level spending throughout the budget year.

In 2011 the City completed Phase I of the Riverfront Walking Trail, Water Avenue Streetscape, several infrastructure projects and the plans for the Riverfront Amphitheater. The primary focus of the City is reflective in the City's Comprehensive Master Plan which includes:

- Infrastructure improvements – The City is reconstructing and resurfacing several major thoroughfares and improving sanitary sewer and storm drainage through such funding sources as ATRIP Grant, ADECA, ALDOT and other funding mechanisms. The City must continue to update and modernize its infrastructure enabling it to handle the increase in population.
- Selma Riverfront Development – The Riverfront Amphitheater, Water Feature, Police Substation, Multi-purpose Room and other amenities are scheduled for completion in 2013.
- City Marina – The City will work in a public-private venture to reconstruct the City's Marina.
- Renovation of Various Public Buildings – The City will continue to renovate and upgrade various public buildings.
- Adequate Equipment for the Public Service Departments – Major equipment was purchased for the Public Works Department, Cemetery Department, Recreation Department, Fire Department, and Police Department from lawn mowers to automobiles. Acquisitions will continue into 2012.
- Downtown Redevelopment – The City continues to work in public/private partnerships to assist with the rehabilitation and redevelopment of the downtown district.
- Selma Interpretive Center – Phase I of the stabilization has been completed. The City continues to seek funding for the complete build-out of the facility and parking.
- Code Enforcement – The City has increased the capacity of the Code Enforcement Department. There is evidence of stronger and more consistent enforcement of the City's code enforcement ordinances.

The City anticipates the completion of the above listed projects within the next year that will help boost the City's revenue by producing more tax dollars.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for anyone with interest in the economic well being of the City. Questions concerning any of the information provided in this report or request for additional information should be addressed to The Finance Department, 222 Broad Street, Selma, Alabama, 36702.

FINANCIAL STATEMENTS

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,647,137	\$ 64,046	\$ 4,711,183
Receivables, net	1,537,154	20,754	1,557,908
Internal balances	246,299	(246,299)	-
Prepaid expenses	100,255	-	100,255
Note receivable	915,000	-	915,000
Deferred debt expense, net	741,048	-	741,048
Net pension asset	9,945,859	-	9,945,859
Restricted assets:			
Cash and cash equivalents	4,382,380	-	4,382,380
Cash held by fiscal agent	3,154,543	-	3,154,543
Capital assets not being depreciated:			
Land	2,626,665	104,913	2,731,578
Construction in progress	4,255,206	-	4,255,206
Capital assets net of accumulated depreciation:			
Buildings	5,869,443	-	5,869,443
Improvements	9,207,576	192,788	9,400,364
Infrastructure	13,416,981	-	13,416,981
Machinery and equipment	4,825,013	495,070	5,320,083
TOTAL ASSETS	\$ 65,870,559	\$ 631,272	\$ 66,501,831
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,435,228	\$ 15,752	\$ 1,450,980
Accrued interest payable	254,468	-	254,468
Deferred revenue	30,259	-	30,259
Other liabilities	277,686	-	277,686
Noncurrent liabilities:			
Due within one year	1,915,187	94,471	2,009,658
Due in more than one year	26,224,423	112,376	26,336,799
TOTAL LIABILITIES	30,137,251	222,599	30,359,850
NET ASSETS			
Investment in capital assets, net of related debt	28,590,806	585,924	29,176,730
Restricted for:			
Capital projects	441,079	-	441,079
Community development	299,046	-	299,046
Debt service	4,220,495	-	4,220,495
Municipal Court	83,639	-	83,639
Public safety	3,560	-	3,560
Public works	1,400,202	-	1,400,202
Unrestricted	694,481	(177,251)	517,230
TOTAL NET ASSETS	35,733,308	408,673	36,141,981
TOTAL LIABILITIES AND NET ASSETS	\$ 65,870,559	\$ 631,272	\$ 66,501,831

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 6,916,070	\$ 2,949,588	\$ 505,680	\$ 355,864	\$ (3,104,938)	\$ -	\$ (3,104,938)
Public safety	8,182,813	118,575	32,225	-	(8,032,013)	-	(8,032,013)
Public service	2,506,649	833,067	520	784,827	(888,235)	-	(888,235)
Other	2,119,917	128,561	-	-	(1,991,356)	-	(1,991,356)
Interest and fiscal charges on long-term debt	846,627	-	-	-	(846,627)	-	(846,627)
Total governmental activities	20,572,076	4,029,791	538,425	1,140,691	(14,863,169)	-	(14,863,169)
Business-type activities:							
Inert landfill	233,869	97,681	-	-	-	(136,188)	(136,188)
Total primary government	\$ 20,805,945	\$ 4,127,472	\$ 538,425	\$ 1,140,691	(14,863,169)	(136,188)	(14,999,357)
General Revenues							
Property taxes					2,434,270	-	2,434,270
Sales taxes					10,142,591	-	10,142,591
Lodging taxes					319,604	-	319,604
Motor fuel taxes					815,176	-	815,176
Alcoholic beverage taxes					129,879	-	129,879
Tobacco taxes					317,621	-	317,621
Investment earnings					27,666	63	27,729
Miscellaneous revenue					591,778	-	591,778
Transfers					(150,000)	150,000	-
Total general revenues and transfers					14,628,585	150,063	14,778,648
Change in net assets					(234,584)	13,875	(220,709)
Net assets - beginning					35,967,892	394,798	36,362,690
Net assets - ending					\$ 35,733,308	\$ 408,673	\$ 36,141,981

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Other Funds Account	Bond Fund	2009 Capital Project Bond	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,578,181	\$ 285,553	\$ -	\$ -	\$ 2,783,403	\$ 4,647,137
Receivables - taxes	1,083,976	-	-	-	17,614	1,101,590
Receivables - other	200,084	93,960	714	-	140,806	435,564
Prepaid expenses	100,255	-	-	-	-	100,255
Due from other funds	1,263,682	18,221	58,098	-	258,089	1,598,090
Notes receivable	915,000	-	-	-	-	915,000
Restricted assets:						
Cash and cash equivalents	-	-	3,998,988	-	383,392	4,382,380
Cash held by fiscal agent	-	-	-	3,154,543	-	3,154,543
TOTAL ASSETS	\$ 5,141,178	\$ 397,734	\$ 4,057,800	\$ 3,154,543	\$ 3,583,304	\$ 16,334,559
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	\$ 771,979	\$ 62,460	\$ -	\$ 337,302	\$ 263,487	\$ 1,435,228
Due to other funds	329,806	400,511	-	-	621,474	1,351,791
Deferred revenue	30,259	-	-	-	-	30,259
Other liabilities	194,096	-	-	-	83,590	277,686
TOTAL LIABILITIES	1,326,140	462,971	-	337,302	968,551	3,094,964
FUND BALANCES						
Nonspendable	1,015,255	-	-	-	-	1,015,255
Restricted	-	-	4,057,800	2,817,241	2,390,221	9,265,262
Assigned	-	-	-	-	5,856	5,856
Committed	-	-	-	-	290,876	290,876
Unassigned	2,799,783	(65,237)	-	-	(72,200)	2,662,346
TOTAL FUND BALANCES	3,815,038	(65,237)	4,057,800	2,817,241	2,614,753	13,239,595
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,141,178	\$ 397,734	\$ 4,057,800	\$ 3,154,543	\$ 3,583,304	\$ 16,334,559

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Differences in amounts reported for governmental activities in the Statement of Net Assets.

Total fund balances - governmental funds		\$ 13,239,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		40,200,884
The proceeds of the pension obligation warrants were used to pre-pay the City's unfunded Employee's Retirement System of Alabama (ERS) accrued actuarial liability and is reported as a net pension asset in the Statement of Net Assets.		9,945,859
Deferred debt expenses are allocated over their estimated useful lives and are shown net of amortization expense as an asset on the Statement of Net Assets.		741,048
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Balances at September 30, 2011 were:		
Bonds, leases and notes payable	\$ (27,336,901)	
Deferred loss on advanced refunding	13,038	
Unamortized net premiums	(74,011)	
Unamortized net discounts	149,507	
Accrued interest	(254,468)	
Compensated absences	(223,722)	
Postemployment benefits other than pensions	(667,521)	
Total long-term liabilities		<u>(28,394,078)</u>
Net assets of governmental activities		<u><u>\$ 35,733,308</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Other Funds Account	Bond Fund	2009 Capital Project Bond	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 12,546,237	\$ -	\$ 1,083,918	\$ -	\$ 528,986	\$ 14,159,141
Licenses and permits	2,712,258	-	-	-	22,535	2,734,793
Intergovernmental	240,784	776,298	161,841	-	1,026,442	2,205,365
Charges for services	833,067	-	-	-	-	833,067
Other revenues	413,752	5,327	-	-	75,431	494,510
Interest on investments	3,870	-	19,801	146	3,799	27,616
Total revenues	<u>16,749,968</u>	<u>781,625</u>	<u>1,265,560</u>	<u>146</u>	<u>1,657,193</u>	<u>20,454,492</u>
EXPENDITURES						
Current operations:						
General government	5,182,689	1,132,578	-	563,982	1,456,889	8,336,138
Public safety	7,157,168	-	-	839,445	83,717	8,080,330
Public service	1,880,244	-	-	1,731,990	-	3,612,234
Other	1,663,189	-	-	1,501,391	-	3,164,580
Debt service:						
Principal retirement	191,945	-	1,075,000	-	296,217	1,563,162
Interest charges	50,451	-	499,976	-	160,479	710,906
Bond issue costs	-	-	-	-	384,261	384,261
Total expenditures	<u>16,125,686</u>	<u>1,132,578</u>	<u>1,574,976</u>	<u>4,636,808</u>	<u>2,381,563</u>	<u>25,851,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>624,282</u>	<u>(350,953)</u>	<u>(309,416)</u>	<u>(4,636,662)</u>	<u>(724,370)</u>	<u>(5,397,119)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	388,679	157,816	-	-	444,507	991,002
Transfers out	(655,828)	-	-	(24,017)	(461,157)	(1,141,002)
Proceeds from issuance of bonds	-	-	-	-	11,165,000	11,165,000
Bond discount	-	-	-	-	(115,350)	(115,350)
Payment of unfunded pension liability	-	-	-	-	(10,301,068)	(10,301,068)
Total other financing sources (uses)	<u>(267,149)</u>	<u>157,816</u>	<u>-</u>	<u>(24,017)</u>	<u>731,932</u>	<u>598,582</u>
Net change in fund balances	<u>357,133</u>	<u>(193,137)</u>	<u>(309,416)</u>	<u>(4,660,679)</u>	<u>7,562</u>	<u>(4,798,537)</u>
FUND BALANCES - BEGINNING	<u>3,457,905</u>	<u>127,900</u>	<u>4,367,216</u>	<u>7,477,920</u>	<u>2,607,191</u>	<u>18,038,132</u>
FUND BALANCES - ENDING	<u>\$ 3,815,038</u>	<u>\$ (65,237)</u>	<u>\$ 4,057,800</u>	<u>\$ 2,817,241</u>	<u>\$ 2,614,753</u>	<u>\$ 13,239,595</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2011

Differences in amounts reported for Governmental Activities in the Statement of Activities.

Net change in fund balances - total governmental funds		\$ (4,798,537)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		6,265,603
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,042,184)
The net effect of transactions involving donation of capital assets is to increase net assets.		33,000
Loan proceeds provide current financial resources to governmental funds; however, issuing debt decreases long-term liabilities in the in the Statement of Net Assets.		(11,165,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Assets.		
General obligation bonds and warrants	\$ 1,425,000	
Capital leases	<u>138,162</u>	
Total repayments		1,563,162
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		1,960
Increases in long-term debt and related items that are not financial resources decrease net assets in the Statement of Net Assets.		
Accrued interest	(135,721)	
Post employment benefits other than pensions	<u>(347,111)</u>	
Total increases		(482,832)
The proceeds of the pension obligation warrants were used to pre-pay the City's unfunded Employee's Retirement System of Alabama (ERS) accrued actuarial liability and is reported as a net pension asset in the Statement of Net Assets		10,301,068
Amortization of net pension asset		(355,209)
Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond issuance cost	384,261	
Bond discount	115,350	
Amortization	<u>(55,226)</u>	
Reduction of expenses		<u>444,385</u>
Change in net assets of governmental activities		<u>\$ (234,584)</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	<u>Inert Landfill</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 64,046
Receivables, net	20,754
Due from other funds	<u>13,619</u>
Total current assets	<u>98,419</u>
CAPITAL ASSETS	
Land	104,913
Machinery and equipment	1,654,522
Improvements other than buildings	218,944
Less accumulated depreciation	<u>(1,185,608)</u>
Total capital assets, net of accumulated depreciation	<u>792,771</u>
TOTAL ASSETS	<u>891,190</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	15,752
Due to other funds	259,918
Capital lease obligation	<u>94,471</u>
Total current liabilities	<u>370,141</u>
NONCURRENT LIABILITIES	
Capital lease obligation	<u>112,376</u>
TOTAL LIABILITIES	<u>482,517</u>
NET ASSETS	
Invested in capital assets, net of related debt	585,924
Unrestricted	<u>(177,251)</u>
TOTAL NET ASSETS	<u><u>\$ 408,673</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUND****FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Inert Landfill</u>
OPERATING REVENUES	
Service fees	<u>\$ 97,681</u>
OPERATING EXPENSES	
Personnel	87,731
Repairs and maintenance	31,065
Other operating expenses	22,325
Depreciation	80,001
Professional services	<u>4,431</u>
Total operating expenses	<u>225,553</u>
OPERATING LOSS	<u>(127,872)</u>
NONOPERATING REVENUES (EXPENSE)	
Interest income	63
Interest expense	(8,316)
Operating transfers in	<u>150,000</u>
Total nonoperating revenues (expense)	<u>141,747</u>
Change in net assets	13,875
TOTAL NET ASSETS - BEGINNING	<u>394,798</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 408,673</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Inert Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 100,220
Payments to suppliers for goods and services	(44,808)
Payments to employees for services	<u>(88,439)</u>
Net cash used by operating activities	<u>(33,027)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	150,000
Net cash payments from other funds	<u>31,902</u>
Net cash provided by noncapital financing activities	<u>181,902</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on capital lease obligation	(94,471)
Interest paid on lease obligation	<u>(8,316)</u>
Net cash used by capital and related financing activities	<u>(102,787)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,958</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 64,046</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (127,872)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Interest income	63
Depreciation expense	80,001
Decrease in accounts receivable	2,476
Increase in accounts payable and accrued expenses	<u>12,305</u>
Net cash used by operating activities	<u><u>\$ (33,027)</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2011

	<u>Agency Fund</u>
ASSETS	
Receivables - taxes	\$ 115,603
Receivables - other	<u>3,242</u>
TOTAL ASSETS	<u>118,845</u>
LIABILITIES	
Accounts payable	<u>118,845</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Selma (the City) was incorporated under the laws of the State of Alabama in 1837 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning and zoning, recreation and general administrative services. The City provides library, public housing and education services through separate operating boards recognized as legal entities unto themselves and, accordingly, those boards' financial statements and information are not included herein.

Government-Wide and Fund Financial Statements

Government-Wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other Funds Account – This fund accounts for special revenue items, largely federal and state grant receipts.

Bond Fund – This fund accounts for the resources accumulated and payments made for principal and interest on the 2009-A and 2009-B General Obligation Bonds.

2009 Capital Project Bond – This fund accounts for the acquisition of assets and construction of projects that are funded by the 2009 General Obligation Bonds.

The City reports the following major enterprise fund:

Inert Landfill – This fund accounts for the operations, maintenance, and development of the City-owned landfill.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of any applicable allowance for uncollectibles.

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the nonexchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, purchased or constructed, are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$4,000. The City did not report infrastructure acquired prior to October 1, 2001.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	70 years
Improvements	15-20 years
Equipment	5-20 years
Vehicles	7-20 years
Infrastructure	10-50 years

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods.

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Fund Equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This classification includes amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – This classification includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – This classification includes all other spendable amounts.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which the amounts of unrestricted fund balance is available.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted for the City's general fund. Under state law, the Mayor submits the annual budget to the Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by the Council. All annual appropriations lapse at fiscal year-end.

Deficit Fund Balance

Funds with deficit fund balance are as follows:

	Deficit Amount
Major Governmental Funds:	
Other Funds Account	\$ 65,237
Nonmajor Governmental Funds:	
Weed and Seed	964
Firefighter Grant	48,965
Good Samaritan	26,441
1996 Refunding Warrants	53,775

The City's intent is to appropriate funds from the General Fund in order to reduce the above deficits.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

As of September 30, 2011, none of the City's bank balance of \$12,803,795 was exposed to custodial credit risk. All of the City's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

4. RECEIVABLES

Receivables as of September 30, 2011 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Other Funds Account</u>	<u>Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	<u>Total</u>
Taxes	\$ 1,083,975	\$ -	\$ -	\$ 17,614	\$ -	\$ 1,101,589
Accounts	1,634,493	25	-	-	20,754	1,655,272
Intergovernmental	52,294	93,935	-	140,173	-	286,402
Interest	-	-	714	633	-	1,347
Gross receivables	2,770,762	93,960	714	158,420	20,754	3,044,610
Less allowance for uncollectible	<u>1,486,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,486,702</u>
Net total receivables	<u>\$ 1,284,060</u>	<u>\$ 93,960</u>	<u>\$ 714</u>	<u>\$ 158,420</u>	<u>\$ 20,754</u>	<u>\$ 1,557,908</u>

5. NOTE RECEIVABLE

During 2005, the City issued warrants in the amount of \$1,260,000 for the benefit of the Selma City Schools. Principal payments are due annually with semiannual interest payments at 3.3% to 4.4%. The School System is indebted to the City as follows for the debt service of these warrants.

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2012	\$ 75,000	\$ 37,177
2013	80,000	34,075
2014	80,000	30,795
2015	85,000	27,413
2016	90,000	23,825
2017 – 2021	<u>505,000</u>	<u>56,995</u>
Total	<u>\$ 915,000</u>	<u>\$ 210,280</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,624,665	\$ 2,000	\$ -	\$ 2,626,665
Construction in progress	<u>3,280,627</u>	<u>5,781,875</u>	<u>4,807,296</u>	<u>4,255,206</u>
Total capital assets, not being depreciated	<u>5,905,292</u>	<u>5,783,875</u>	<u>4,807,296</u>	<u>6,881,871</u>
Capital assets, being depreciated:				
Buildings	8,689,498	736,531	-	9,426,029
Improvements other than buildings	11,162,133	950,651	-	12,112,784
Infrastructure	39,084,538	2,227,307	-	41,311,845
Machinery and equipment	<u>11,175,872</u>	<u>1,407,535</u>	<u>122,759</u>	<u>12,460,648</u>
Total capital assets, being depreciated	<u>70,112,041</u>	<u>5,322,024</u>	<u>122,759</u>	<u>75,311,306</u>
Less accumulated depreciation for:				
Buildings	3,418,802	137,784	-	3,556,586
Improvements other than buildings	2,673,626	231,582	-	2,905,208
Infrastructure	26,977,646	917,218	-	27,894,864
Machinery and equipment	<u>7,002,794</u>	<u>755,600</u>	<u>122,759</u>	<u>7,635,635</u>
Total accumulated depreciation	<u>40,072,868</u>	<u>2,042,184</u>	<u>122,759</u>	<u>41,992,293</u>
Total capital assets, being depreciated, net	<u>30,039,173</u>	<u>3,279,840</u>	<u>-</u>	<u>33,319,013</u>
Governmental activities capital assets, net	<u>\$ 35,944,465</u>	<u>\$ 9,063,715</u>	<u>\$ 4,807,296</u>	<u>\$ 40,200,884</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 104,913	\$ -	\$ -	\$ 104,913
Capital assets, being depreciated:				
Improvements other than buildings	218,944	-	-	218,944
Machinery and equipment	<u>1,654,522</u>	<u>-</u>	<u>-</u>	<u>1,654,522</u>
Total capital assets, being depreciated	<u>1,873,466</u>	<u>-</u>	<u>-</u>	<u>1,873,466</u>
Less accumulated depreciation for:				
Improvements other than buildings	18,612	7,544	-	26,156
Machinery and equipment	<u>1,086,995</u>	<u>72,457</u>	<u>-</u>	<u>1,159,452</u>
Total accumulated depreciation	<u>1,105,607</u>	<u>80,001</u>	<u>-</u>	<u>1,185,608</u>
Total capital assets, being depreciated, net	<u>767,859</u>	<u>80,001</u>	<u>-</u>	<u>687,858</u>
Business-type activities capital assets, net	<u>\$ 872,772</u>	<u>\$ 80,001</u>	<u>\$ -</u>	<u>\$ 792,771</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 383,723
Public safety	495,790
Public service	1,085,531
Other	<u>77,140</u>

 Total depreciation expense – governmental activities \$ 2,042,184

Business-type Activities

\$ 80,001

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures and should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2011 is shown below:

Due to/from other funds:

Due From:	Due To:					Total
	General Fund	Other Funds Account	Bond Fund	Nonmajor Governmental Funds	Inert Landfill	
General Fund	\$ -	\$ -	\$ 59,098	\$ 258,089	\$ 13,619	\$ 329,806
Other Funds Account	400,511	-	-	-	-	400,511
Nonmajor Governmental Funds	603,253	18,221	-	-	-	621,474
Inert Landfill	259,918	-	-	-	-	259,918
Total	\$ 1,263,682	\$ 18,221	\$ 59,098	\$ 258,089	\$ 13,619	\$ 1,611,709

Interfund Transfers:

Transfer Out:	Transfer In:				Total
	General Fund	Other Funds Account	Nonmajor Governmental Funds	Inert Landfill	
General Fund	\$ -	\$ 157,816	\$ 348,012	\$ 150,000	\$ 655,828
2009 Capital Project Bond	24,017	-	-	-	24,017
Nonmajor Governmental Funds	364,662	-	96,495	-	461,157
Total	\$ 388,679	\$ 157,816	\$ 444,507	\$ 150,000	\$ 1,141,002

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General City bonds and warrants	\$ 17,565,000	\$ 11,165,000	\$ 1,425,000	\$ 27,305,000	\$ 1,460,000
Less deferred amounts:					
For issuance discounts	(41,313)	(115,350)	(7,156)	(149,507)	-
On refunding	(26,073)	-	(13,035)	(13,038)	-
Add deferred amounts:					
For issuance premiums	<u>87,044</u>	<u>-</u>	<u>13,033</u>	<u>74,011</u>	<u>-</u>
Total General City bonds and warrants	17,584,658	11,049,650	1,417,842	27,216,466	1,460,000
Capital leases	170,063	-	138,162	31,901	28,099
Compensated absences	225,682	223,722	225,682	223,722	223,722
Postemployment benefits other than pensions	<u>320,410</u>	<u>550,477</u>	<u>203,366</u>	<u>667,521</u>	<u>203,366</u>
	<u>\$ 18,300,813</u>	<u>\$ 11,823,849</u>	<u>\$ 1,985,052</u>	<u>\$ 28,139,610</u>	<u>\$ 1,915,187</u>
Business-type Activities:					
Capital lease	<u>\$ 301,318</u>	<u>\$ -</u>	<u>\$ 94,471</u>	<u>\$ 206,847</u>	<u>\$ 94,471</u>

Long-term debt payable at September 30, 2011 is comprised of the following:

General City Bonds and Warrants

The City issues general obligation bonds and warrants to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The current outstanding balances are as follows:

Series 2005 General Obligation Warrants, interest at 3.3% to 4.4%	\$ 915,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	4,220,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	10,220,000
Series 2009-B General Obligation Refunding Bonds, interest at 3.5% to 4.0%	785,000
Series 2011 Taxable Pension Obligation Warrants, interest at 5.82% to 6.0%	<u>11,165,000</u>
Total bonds and warrants	<u>\$ 27,305,000</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

General City Bonds and Warrants (Continued)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2011, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2012	\$ 1,460,000	\$ 1,265,816
2013	1,515,000	1,264,842
2014	1,570,000	1,211,694
2015	1,125,000	1,160,456
2016	1,175,000	1,114,149
2017 – 2021	6,880,000	4,760,747
2022 – 2026	4,745,000	3,126,834
2027 – 2031	2,650,000	2,335,650
2032 – 2036	3,525,000	1,457,100
2037 – 2039	<u>2,660,000</u>	<u>325,500</u>
Total	<u>\$ 27,305,000</u>	<u>\$ 18,022,788</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 198,785	\$ 474,112
Automobiles	<u>247,950</u>	<u>-</u>
	446,735	474,112
Less accumulated depreciation	<u>306,776</u>	<u>71,117</u>
	<u>\$ 139,959</u>	<u>\$ 402,995</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

Governmental Activities

Capital lease obligation for telephone equipment dated August 29, 2008, payable in monthly installments of \$1,199, final payment due February 2012	\$ 5,885
Capital lease obligation for litter vacuums dated October 2, 2007, payable in monthly installments of \$1,912, final payment due November 2012	<u>26,016</u>
Total governmental activities capital leases	<u>\$ 31,901</u>

Business-type Activities

Capital lease obligation for landfill compactor dated October 3, 2008, payable in monthly installments of \$8,566, final payment due October 2013	<u>\$ 206,847</u>
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year ending September 30:		
2012	\$ 28,099	\$ 102,787
2013	3,802	102,787
2014	<u>-</u>	<u>8,566</u>
Total minimum lease payments	31,901	214,140
Less amount representing interest	<u>863</u>	<u>7,293</u>
Present value of minimum lease payments	<u>\$ 31,038</u>	<u>\$ 206,847</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

Operating Leases

The City is obligated under operating lease agreements for copiers through November 30, 2015. The future minimum lease payments under these lease agreements are:

Year ending September 30:	
2012	\$ 37,625
2013	37,625
2014	37,625
2015	<u>6,272</u>
Present value of minimum lease payments	<u>\$ 119,147</u>

Total rental expense for the above mentioned lease is \$52,386 for the year ended September 30, 2011.

In addition, the City has agreed to lease space in the county jail on a year-to-year basis at a rate of \$200,000 per year ending September 30, 2019.

Other Long-Term Debt

Compensated absences, benefits and other governmental activity obligations are generally liquidated by the General Fund.

9. EMPLOYEES' RETIREMENT PLAN

Employee Pension Plan

The City has a defined contribution benefit pension plan covering substantially all employees. The pension plan is funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The plan is an agent multiple-employer retirement plan. The agent for the plan is the Employees' Retirement System of Alabama (ERS).

Plan Description

The ERS is an agent multiple-employer public employee retirement system. The ERS was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operations of the ERS is vested in the ERS Board of Control. Authority to amend the plan rests with the Legislature of Alabama.

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description (Continued)

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City of Selma. The ERS provides retirement benefits as well as death and disability benefits as established by state law. The retirement benefits are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits vest after 10 years of creditable service.

Vested employees may retire with full benefits at age 60 or after 25 years of service, regardless of age (30 years of service for those units that have not elected 25 years retirement). Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The two methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation (best three of last ten years) multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Disability benefits are calculated in the same manner as regular retirement benefits. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to The Retirement System of Alabama, 135 South Union Street Montgomery, Alabama 36130-2150.

Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2010), the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuation is prepared using the entry age method. The present value of all expected benefits payable to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the ERS funding policy provides for employer contributions at actuarially determined rates, expressed as a percent of annual covered payroll, in amounts sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, a pre-retirement death benefit contribution, and a portion to finance administrative costs.

The required contribution rate is 5% for regular members and 6% for certified law enforcement, correctional officers, and firefighters. For the fiscal year ended September 30, 2010, the required employer contribution rate was 5.4% of annual covered compensation.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2011, the City's annual pension cost contributed by employees was \$418,592 and the City contributed \$770,058, or a total of \$1,188,650. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2010.

2. Actuarial Assumptions and Methods

Valuation date	September 30, 2010
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market
Amortization method	Level Percent Open
Remaining amortization period	30 years
Period closed/open	Open
Actuarial assumptions:	
Investment rate of return	8%*
Projected salary increases	4.61% - 7.75%*
Cost of living increases	None

*Includes inflation at 4.5%.

In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2008	\$ 725,680	100.0%	\$ -
9/30/2009	725,905	100.0	-
9/30/2010	710,013	100.0	-

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

3. Funding Status

The funding status of the plan as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b - a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b - a)/c UAL as a Percentage of Payroll
9/30/10*	\$ 34,295,394	\$ 34,658,657	\$ 363,263	99.0%	\$ 8,036,319	4.5%

* Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. FUND BALANCES

As of September 30, 2011, fund balances consisted of the following:

	General Fund	Other Funds Account	Bond Fund	2009 Capital Project Bond	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid expenses	\$ 100,255	\$ -	\$ -	\$ -	\$ -	\$ 100,255
Note receivable	915,000	-	-	-	-	915,000
Restricted:						
Debt service	-	-	4,057,800	-	162,695	4,220,495
Capital projects	-	-	-	2,817,241	441,079	3,258,320
Community development	-	-	-	-	299,046	299,046
Municipal Court	-	-	-	-	83,639	83,639
Public safety	-	-	-	-	3,560	3,560
Public works	-	-	-	-	1,400,202	1,400,202
Assigned:						
Police Department	-	-	-	-	5,372	5,372
Fire Department	-	-	-	-	484	484
Committed:						
Economic development	-	-	-	-	290,876	290,876
Unassigned	2,799,783	(65,237)	-	-	(72,200)	2,662,346
Total fund balances	\$ 3,815,038	\$ (65,237)	\$ 4,057,800	\$ 2,817,241	\$ 2,614,753	\$ 13,239,595

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's risk management program provides limited secondary market reinsurance to protect the City from any single loss in excess of a specific amount. Coverage consists of \$2,000,000 and \$500,000 in general and workers compensation insurance, respectively.

12. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Selma administers a defined benefit healthcare plan ("the Employees' Medical Insurance Plan") for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees through the City's group health insurance plan, which covers both active and retired members. The Employees' Medical Insurance Plan does not issue a publicly available financial report. At September 30, 2011, the plan had approximately 289 active participants and 70 retired members and beneficiaries.

Funding Policy

The employer contributes \$312 for active participants and requires monthly contributions of \$75 from active participants who maintain single coverage and \$367 to \$665 from active participants who maintain family coverage. Retirees' are required to contribute certain amounts based on level of coverage and date of retirement as follows:

	<u>Monthly Contribution</u>
Retiree under 65	\$ 193.47
Retiree over 65	62.50

Total member contributions were \$424,791 for active participants and \$83,924 for retirees and beneficiaries.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Employees' Medical Insurance Plan:

Annual required contribution	\$ 538,701
Interest on net OPEB obligation	12,776
Adjustment to ARC	<u>(1,000)</u>
Annual OPEB cost	550,477
Contributions made	<u>(203,366)</u>
Increase in net OPEB obligation	347,111
Net OPEB obligation – beginning of year	<u>320,410</u>
Net OPEB obligation – end of year	<u>\$ 667,521</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$ 345,661	33%	\$ 231,467
9/30/2010	280,226	69	319,410
9/30/2011	550,477	37	667,521

Funded Status and Funding Progress

As of October 1, 2010, the actuarial accrued liability for benefits was \$5,172,791 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,508,143, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.8%.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following significant assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the earlier of 25 years of service at any age or 10 years of consecutive service and the attainment of age 60.

Marital status – The City of Selma provides medical insurance coverage for retirees but not for dependents.

Mortality – The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used.

Turnover – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 15%.

Healthcare cost trend rate – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5% for 2016 and later.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions (Continued)

Health insurance premiums – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Discount rate – 4% per annum, compounded annually, if unfunded.

The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period under GASB, 45 of 30 years. The remaining amortization period at September 30, 2010, was 28 years.

14. NET PENSION ASSET

On July 26, 2011, the City issued the 2011 Taxable Pension Obligation Warrants in the amount of \$11,165,000. The proceeds of the warrants were used to prepay the City's unfunded ERS accrued actuarial liability in the amount of \$10,301,068. This prepayment has been recorded on the statement of net assets as a net pension asset. The effect of this prepayment will be reflected in future actuarial reports as that information becomes available from ERS. The net pension asset will be amortized as the debt is repaid. For the year ended September 30, 2011, \$355,209 was amortized and recorded as pension expenses.

As of September 30, 2011, changes to the net pension asset were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities	\$ <u>-</u>	<u>\$10,301,068</u>	<u>\$ 355,209</u>	<u>\$ 9,945,859</u>

15. EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, (GASB 61) in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 61, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

15. EFFECT OF NEW PRONOUNCEMENTS (Continued)

Also, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, (GASB 62) in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and AICPA Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (GASB 63) in June 2011. The objective of this Statement is to establish standards for reporting deferred outflow of resources, deferred inflows of resources, and net position. This Statement supersedes GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, paragraphs 32, 33, 36 and footnote 40. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53* (GASB 64) in June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Statement amends GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, paragraphs 22 and 82. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/02	\$ 26,029,951	\$ 27,622,570	\$ 1,592,619	94.2%	\$ 8,832,798	18.0%
09/30/03	25,954,064	28,738,039	2,783,975	90.3%	8,994,565	31.0%
09/30/04	26,260,887	29,008,566	2,747,679	90.5%	8,461,591	32.5%
09/30/05	26,657,412	30,305,715	3,648,303	88.0%	8,212,780	44.4%
09/30/06	26,592,837	31,820,475	5,227,638	83.6%	8,282,361	63.1%
09/30/07	26,988,355	32,372,847	5,384,492	83.4%	8,532,424	63.1%
09/30/08	26,494,719	34,002,156	7,507,437	77.9%	9,158,651	82.0%
09/30/09	25,420,119	32,881,513	7,461,394	77.3%	7,715,121	96.7%
09/30/10 *	34,295,394	34,658,657	363,263	99.0%	8,036,319	4.5%

* Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

CITY OF SELMA, ALABAMA**EMPLOYEES' MEDICAL INSURANCE PLAN OF THE CITY OF SELMA, ALABAMA
SCHEDULE OF FUNDING PROGRESS**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/08	\$ -	\$ 3,297,967	\$ 3,297,967	0.0%	\$ 9,152,651	36.0%
09/30/09	-	3,297,967	3,297,967	0.0%	8,792,535	37.5%
09/30/10	-	5,172,791	5,172,791	0.0%	8,508,143	60.8%

SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 12,648,845	\$ 12,648,845	\$ 12,546,237	\$ (102,608)
Licenses and permits	2,471,497	2,471,497	2,712,258	240,761
Intergovernmental revenues	170,000	170,000	240,784	70,784
Charges for services	736,000	736,000	833,067	97,067
Other revenues	520,158	532,158	413,752	(118,406)
Interest on investments	3,500	3,500	3,870	370
Total revenues	<u>16,550,000</u>	<u>16,562,000</u>	<u>16,749,968</u>	<u>187,968</u>
EXPENDITURES				
Current operations:				
General government	5,099,702	5,109,352	5,182,689	(73,337)
Public safety	7,108,642	7,108,642	7,157,168	(48,526)
Public service	1,866,933	1,866,933	1,880,244	(13,311)
Other	1,765,688	1,778,038	1,663,189	114,849
Debt service:				
Principal retirement	-	-	191,945	(191,945)
Interest charges	<u>279,000</u>	<u>279,000</u>	<u>50,451</u>	<u>228,549</u>
Total expenditures	<u>16,119,965</u>	<u>16,141,965</u>	<u>16,125,686</u>	<u>16,279</u>
Excess of revenues over expenditures	<u>430,035</u>	<u>420,035</u>	<u>624,282</u>	<u>204,247</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	388,679	388,679
Transfers out	<u>(409,735)</u>	<u>(399,735)</u>	<u>(655,828)</u>	<u>(256,093)</u>
Total other financing sources (uses)	<u>(409,735)</u>	<u>(399,735)</u>	<u>(267,149)</u>	<u>132,586</u>
Net change in fund balance	20,300	20,300	357,133	336,833
FUND BALANCES - BEGINNING	<u>3,457,905</u>	<u>3,457,905</u>	<u>3,457,905</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,478,205</u>	<u>\$ 3,478,205</u>	<u>\$ 3,815,038</u>	<u>\$ 336,833</u>

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue									
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program	
ASSETS										
Cash and cash equivalents	\$ 259,241	\$ 26,747	\$ -	\$ 435,057	\$ 1,737	\$ 3,635	\$ -	\$ 484	\$ -	
Receivables - taxes	-	-	-	-	-	-	-	-	-	
Receivables - other	-	-	-	-	-	-	-	-	-	
Due from other funds	83,324	-	2,980	-	-	-	-	-	-	61,311
Restricted assets:										
Cash and cash equivalents	-	-	15,626	-	-	-	82,155	-	-	-
TOTAL ASSETS	\$ 342,565	\$ 26,747	\$ 18,606	\$ 435,057	\$ 1,737	\$ 3,635	\$ 82,155	\$ 484	\$ 61,311	
LIABILITIES										
Accounts payable and accrued expenses	\$ 51,689	\$ -	\$ -	\$ 5,107	\$ -	\$ -	11	\$ -	\$ -	
Due to other funds	-	-	-	9,642	-	-	-	-	-	
Other liabilities	-	-	15,900	-	-	-	-	-	-	
TOTAL LIABILITIES	51,689	-	15,900	14,749	-	-	11	-	-	
FUND BALANCES										
Restricted	-	26,747	2,706	420,308	-	-	82,144	-	61,311	
Assigned	-	-	-	-	1,737	3,635	-	484	-	
Committed	290,876	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	
TOTAL FUND BALANCES	290,876	26,747	2,706	420,308	1,737	3,635	82,144	484	61,311	
TOTAL LIABILITIES AND FUND BALANCES	\$ 342,565	\$ 26,747	\$ 18,606	\$ 435,057	\$ 1,737	\$ 3,635	\$ 82,155	\$ 484	\$ 61,311	

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

Special Revenue									
	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant	U&C FHI	Firefighter Grant	Selma Dallas Prevention
ASSETS									
Cash and cash equivalents	\$ 104,531	\$ 13,008	\$ 28,800	\$ 13,233	\$ 133,344	\$ 24,000	\$ -	\$ 8,822	\$ -
Receivables - taxes	-	-	-	-	-	-	-	-	-
Receivables - other	75,955	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	8,179	7,474	400	-	45,071
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 180,486	\$ 13,008	\$ 28,800	\$ 13,233	\$ 141,523	\$ 31,474	\$ 400	\$ 8,822	\$ 45,071
LIABILITIES									
Accounts payable and accrued expenses	\$ 8,519	\$ -	\$ -	\$ -	\$ 17,780	\$ -	\$ -	\$ 9,841	\$ -
Due to other funds	126,775	134	18,221	14,197	-	-	-	47,946	-
Other liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	135,294	134	18,221	14,197	17,780	-	-	57,787	-
FUND BALANCES									
Restricted	45,192	-	10,579	-	123,743	31,474	400	-	-
Assigned	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Unassigned	-	12,874	-	(964)	-	-	-	(48,965)	45,071
TOTAL FUND BALANCES	45,192	12,874	10,579	(964)	123,743	31,474	400	(48,965)	45,071
TOTAL LIABILITIES AND FUND BALANCES	\$ 180,486	\$ 13,008	\$ 28,800	\$ 13,233	\$ 141,523	\$ 31,474	\$ 400	\$ 8,822	\$ 45,071

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue					Capital Projects		
	Good Samaritan	Municipal Aid	Traffic Enforcement	Criminal Fines	Cash Bonds	Restitutions	1999 Bond Capital Project	Major Project
ASSETS								
Cash and cash equivalents	\$ -	\$ 1,609,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,935
Receivables - taxes	-	17,614	-	-	-	-	-	-
Receivables - other	-	633	-	-	-	-	-	64,218
Due from other funds	-	-	-	-	-	-	-	-
Restricted assets:								
Cash and cash equivalents	-	-	4,482	50	58,211	10,974	43,753	-
TOTAL ASSETS	\$ -	\$ 1,628,076	\$ 4,482	\$ 50	\$ 58,211	\$ 10,974	\$ 43,753	\$ 185,153
LIABILITIES								
Accounts payable and accrued expenses	\$ -	\$ 10,000	\$ 4,078	\$ -	\$ -	\$ -	\$ -	\$ 153,220
Due to other funds	26,441	217,874	-	-	-	-	35,625	19,290
Other liabilities	-	-	-	-	56,750	10,940	-	-
TOTAL LIABILITIES	26,441	227,874	4,078	-	56,750	10,940	35,625	172,510
FUND BALANCES								
Restricted	-	1,400,202	404	50	1,461	34	8,128	12,643
Assigned	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	(26,441)	-	-	-	-	-	-	-
TOTAL FUND BALANCES	(26,441)	1,400,202	404	50	1,461	34	8,128	12,643
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1,628,076	\$ 4,482	\$ 50	\$ 58,211	\$ 10,974	\$ 43,753	\$ 185,153

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Debt Service					Total Nonmajor Governmental Funds
	1996 Refunding Warrants	Public Building Authority	2003 Warrant Debt Service	2009 Refunding Warrants	2011 Pension Warrants	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,783,403
Receivables - taxes	-	-	-	-	-	17,614
Receivables - other	-	-	-	-	-	140,806
Due from other funds	-	-	-	49,350	-	258,089
Restricted assets:						
Cash and cash equivalents	51,554	30,161	4,168	81,624	634	383,392
TOTAL ASSETS	\$ 51,554	\$ 30,161	\$ 4,168	\$ 130,974	\$ 634	\$ 3,583,304
LIABILITIES						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 3,242	\$ -	\$ 263,487
Due to other funds	105,329	-	-	-	-	621,474
Other liabilities	-	-	-	-	-	83,590
TOTAL LIABILITIES	105,329	-	-	3,242	-	968,551
FUND BALANCES						
Restricted	-	30,161	4,168	127,732	634	2,390,221
Assigned	-	-	-	-	-	5,856
Committed	-	-	-	-	-	290,876
Unassigned	(53,775)	-	-	-	-	(72,200)
TOTAL FUND BALANCES	(53,775)	30,161	4,168	127,732	634	2,614,753
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,554	\$ 30,161	\$ 4,168	\$ 130,974	\$ 634	\$ 3,583,304

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue									
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program	
REVENUES										
Taxes	\$ 319,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	129,725	-	-	-	-	-	131,387
Other revenues	-	-	-	-	15,424	2,843	51,443	267	-	-
Interest on investments	200	-	22	425	9	-	-	-	-	-
Total revenues	319,804	-	22	130,150	15,433	2,843	51,443	267	-	131,387
EXPENDITURES										
Current operations:										
General government	302,240	21,367	-	183,453	-	-	-	-	-	120,275
Public safety	-	-	-	-	24,923	98	12	70	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	302,240	21,367	-	183,453	24,923	98	12	70	-	120,275
Excess of revenues over (under) expenditures	17,564	(21,367)	22	(53,303)	(9,490)	2,745	51,431	197	-	11,112
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,495)	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	-
Payment of unfunded pension liability	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(1,495)	-	-	-
Net change in fund balances	17,564	(21,367)	22	(53,303)	(9,490)	2,745	49,936	197	-	11,112
FUND BALANCES - BEGINNING	273,312	48,114	2,684	473,611	11,227	890	32,208	287	-	50,199
FUND BALANCES - ENDING	\$ 290,876	\$ 26,747	\$ 2,706	\$ 420,308	\$ 1,737	\$ 3,635	\$ 82,144	\$ 484	\$	61,311

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownfield Grant	U&C FHI	Firefighter Grant	Selma Dallas Prevention
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	244,568	-	7,000	-	-	-	-	3,123	-
Other revenues	-	-	-	-	-	-	-	-	-
Interest on investments	-	11	1	-	229	-	-	-	-
Total revenues	244,568	11	7,001	-	229	-	-	3,123	-
EXPENDITURES									
Current operations:									
General government	363,372	742	8,138	85	26,790	-	-	-	-
Public safety	-	-	-	-	-	-	-	58,614	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-
Total expenditures	363,372	742	8,138	85	26,790	-	-	58,614	-
Excess of revenues over (under) expenditures	(118,804)	(731)	(1,137)	(85)	(26,561)	-	-	(55,491)	-
OTHER FINANCING SOURCES (USES)									
Transfers in	111,116	-	-	-	-	-	-	-	-
Transfers out	-	-	(975)	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-
Payment of unfunded pension liability	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	111,116	-	(975)	-	-	-	-	-	-
Net change in fund balances	(7,688)	(731)	(2,112)	(85)	(26,561)	-	-	(55,491)	-
FUND BALANCES - BEGINNING	52,880	13,605	12,691	(879)	150,304	31,474	400	6,526	45,071
FUND BALANCES - ENDING	\$ 45,192	\$ 12,874	\$ 10,579	\$ (964)	\$ 123,743	\$ 31,474	\$ 400	\$ (48,965)	\$ 45,071

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue					Capital Projects	
	Good Samaritan	Municipal Aid	Traffic Enforcement	Criminal Fines	Cash Bonds	1999 Bond Capital Project	Major Project
REVENUES							
Taxes	\$ -	\$ 209,382	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	22,535	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	355,864
Other revenues	-	-	404	50	-	-	5,000
Interest on investments	-	2,610	-	-	-	15	-
Total revenues	-	234,527	404	50	-	15	360,864
EXPENDITURES							
Current operations:							
General government	30	64,151	-	-	-	-	366,246
Public safety	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	21,217	-	-	-	-	-
Interest charges	-	1,729	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Total expenditures	30	87,097	-	-	-	-	366,246
Excess of revenues over (under) expenditures	(30)	147,430	404	50	-	15	(5,382)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	1,461	-	-
Transfers out	-	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-
Payment of unfunded pension liability	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1,461	-	-
Net change in fund balances	(30)	147,430	404	50	1,461	15	(5,382)
FUND BALANCES - BEGINNING	(26,411)	1,252,772	-	-	-	8,113	18,025
FUND BALANCES - ENDING	\$ (26,441)	\$ 1,400,202	\$ 404	\$ 50	\$ 1,461	\$ 8,128	\$ 12,643

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Debt Service					Total
	1996 Refunding Warrants	Public Building Authority	2003 Warrant Debt Service	2009 Refunding Warrants	2011 Pension Warrants	Nonmajor Governmental Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,986
Licenses and permits	-	-	-	-	-	22,535
Intergovernmental	-	-	-	154,775	-	1,026,442
Other revenues	-	-	-	-	-	75,431
Interest on investments	213	58	6	-	-	3,799
Total revenues	213	58	6	154,775	-	1,657,193
EXPENDITURES						
Current operations:						
General government	-	-	-	-	-	1,456,889
Public safety	-	-	-	-	-	83,717
Debt service:						
Principal retirement	-	-	-	275,000	-	296,217
Interest charges	1,575	-	-	157,175	-	160,479
Bond issue costs	-	-	-	-	384,261	384,261
Total expenditures	1,575	-	-	432,175	384,261	2,381,563
Excess of revenues over (under) expenditures	(1,362)	58	6	(277,400)	(384,261)	(724,370)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	331,896	-	444,507
Transfers out	(95,000)	-	-	-	(363,687)	(461,157)
Proceeds from issuance of bonds	-	-	-	-	11,165,000	11,165,000
Bond discount	-	-	-	-	(115,350)	(115,350)
Payment of unfunded pension liability	-	-	-	-	(10,301,068)	(10,301,068)
Total other financing sources (uses)	(95,000)	-	-	331,896	384,895	731,932
Net change in fund balances	(96,362)	58	6	54,496	634	7,562
FUND BALANCES - BEGINNING	42,587	30,103	4,162	73,236	-	2,607,191
FUND BALANCES - ENDING	\$ (53,775)	\$ 30,161	\$ 4,168	\$ 127,732	\$ 634	\$ 2,614,753

See accompanying notes.

CITY OF SELMA, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2011

Assessed value		<u><u>\$ 130,900,420</u></u>
Legal debt margin		
Debt limitation - 20 percent of assessed value		\$ 26,180,084
Debt applicable to limitation:		
Long-term bonded debt including capital leases	\$ 27,543,748	
Less: Debt attributable for school purposes	(2,426,314)	
Less: Amount available for payment of general obligation debt	<u>(4,167,130)</u>	
Total debt applicable to limitation		<u>20,950,304</u>
Legal debt margin		<u><u>\$ 5,229,780</u></u>

Sources: Assessed value data provided by the Dallas County Tax Assessor.

See accompanying notes.

CITY OF SELMA, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2011

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government (a)</u>	<u>Amount Applicable to Government</u>
Direct			
City of Selma:			
General obligations including capital leases	\$ 27,543,748 (a)	100.00%	\$ 27,543,748
Overlapping			
Dallas County:			
General obligations including capital leases	<u>11,279,912</u>	36.20%	<u>4,083,328</u>
Total	<u>\$ 38,823,660</u>		<u>\$ 31,627,076</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Dallas County Tax Assessor. Net General Obligation Bonded Debt outstanding data provided by the Dallas County Tax Assessor.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Selma. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the County's boundaries and dividing it by the County's total taxable assessed value.

See accompanying notes.